

EXHIBIT C  
ROUTINE CORRIDOR

EXAMPLE I

EXAMPLE II

EXAMPLE I

assumptions:

Budgeted Routine Revenue	\$10,000,000			
Budgeted Patient Days	100,000			
Budgeted Routine Revenue Per Diem	\$100			
RCC	100%			
Actual Routine Revenue	\$ 10,100,000	\$ 9,900,000	\$ 10,000,000	
Actual Patient Days	100,000	100,000	101,000	
Percent Over (Under) Budget	0.00%	0.00%	1.0	
Actual Routine Revenue Minus Budgeted Routine Revenue	\$ 100,000	\$ (100,000)	\$ 0	
Excess or (Deficient) Patient Days Over or (Under) Budget	0	0	1,000	
Excess or (Deficient) Patient Days Times Budgeted Per Diem Times 20% (For Days $\pm$ 0-5%)	-	-	\$ 20,000	
30% (For Days $\pm$ 5-7%)	-	-	-	
40% (For Days $\pm$ 7-10%)	-	-	-	
Total	\$ 0	\$ 0	\$ 20,000	
Days Over or (Under) 10% to be renegotiated	-	-	-	
Amount of Dollars to be renegotiated	-	-	-	
Total Payback to Third Parties	\$ 100,000	-	-	
Total Payout to Hospital	-	\$ 100,000	\$ 20,000	
Total Addition to Expense Base	-	-	\$ 20,000	

CC's apply.

# ROUTINE CORRIDOR

	<u>EXAMPLE IV</u>	<u>EXAMPLE V</u>	<u>EXAMPLE V</u>
<u>assumptions:</u>			
Budgeted Routine Revenue	\$10,000,000		
Budgeted Patient Days	100,000		
Budgeted Routine Revenue Per Diem	\$100		
ROI	100%		
Actual Routine Revenue	\$ 10,000,000	\$ 10,100,000	\$ 10,100,00
Actual Patient Days	99,000	101,000	99,000
Per Cent Over (Under) Budget	(1.00%)	1.00%	(1.00)
1 Routine Revenue Minus Budgeted Routine Revenue	\$ 0	\$ 100,000	\$ 100,00
Excess or (Deficient) Patient Days Over or (Under) Budget	(1,000)	1,000	(1,000)
Excess or (Deficient) Patient Days Times Budgeted Per Diem Times 20% (For Days $\pm$ 0-5%)	\$ (20,000)	\$ 20,000	\$ (20,000)
30% (For Days $\pm$ 5-7%)	-	-	-
40% (For Days $\pm$ 7-10%)	-	-	-
<b>Total</b>	<b>\$ (20,000)</b>	<b>\$ 20,000</b>	<b>\$ (20,000)</b>
Days Over or (Under) 10% to be renegotiated	-	-	-
Amount of Dollars to be renegotiated	-	-	-
Total Payback to Third Parties	\$ 20,000	\$ 80,000	\$ 120,00
Total Payout to Hospital	-	-	-
Total Addition to Expense Base	-	\$ 20,000	-

CC's apply.

# ROUTINE CORRIDOR

## EXAMPLE VII

## EXAMPLE VIII

## EXAMPLE I

### Assumptions:

Budgeted Routine Revenue \$10,000,000  
 Budgeted Patient Days 100,000  
 Budgeted Routine Revenue Per Diem \$100  
 RCR 100%

Actual Routine Revenue	\$ 9,900,000	\$ 9,900,000	\$ 11,500,000
Actual Patient Days	101,000	99,000	115,000
Per Cent Over (Under) Budget	1.00%	(1.00%)	15.00%
Actual Routine Revenue Minus Budgeted Routine Revenue	\$ (100,000)	\$ (100,000)	\$ 1,500,000
Excess or (Deficient) Patient Days Over or (Under) Budget	1,000	(1,000)	15,000
Excess or (Deficient) Patient Days Times Budgeted Per Diem Times			
20% (For Days $\pm$ 0-5%)	\$ 20,000	\$ (20,000)	\$ 100,000
30% (For Days $\pm$ 5-7%)	-	-	60,000
40% (For Days $\pm$ 7-10%)	-	-	120,000
<b>Total</b>	<b>\$ 20,000</b>	<b>\$ (20,000)</b>	<b>\$ 280,000</b>
Days Over or (Under) 10% to be renegotiated	-	-	5,000
Amount of Dollars to be renegotiated	-	-	\$ 500,000
Total Payback to Third Parties	-	-	\$ 720,000
Total Payout to Hospital	\$ 120,000	\$ 80,000	-
Total Addition to Expense Base	\$ 20,000	-	\$ 280,000

1.00% apply.

# ROUTINE CORRIDOR

## EXAMPLE X

## EXAMPLE XI

## EXAMPLE X

### Assumptions:

Budgeted Routine Revenue	\$10,000,000			
Budgeted Patient Days	100,000			
Budgeted Routine Revenue Per Diem	\$100			
ROI	100%			
Actual Routine Revenue		\$ 8,500,000	\$ 11,500,000	\$ 8,500,000
Actual Patient Days		85,000	85,000	115,000
Percent Over (Under) Budget		(15.00%)	(15.00%)	15.00
Actual Routine Revenue Minus Budgeted Routine Revenue		\$ (1,500,000)	\$ 1,500,000	\$ (1,500,000)
Excess or (Deficient) Patient Days Over or (Under) Budget		(15,000)	(15,000)	15,000
Excess or (Deficient) Patient Days Times Budgeted Per Diem Times 20% (For Days $\pm$ 0-5%)		\$ (100,000)	\$ (100,000)	\$ 100,000
30% (For Days $\pm$ 5-7%)		(60,000)	(60,000)	60,000
40% (For Days $\pm$ 7-10%)		(120,000)	(120,000)	120,000
Total		\$ (280,000)	\$ (280,000)	\$ 280,000
Days Over or (Under) 10% to be renegotiated		(5,000)	(5,000)	5,000
Amount of Dollars to be renegotiated		\$ 500,000	\$ 500,000	\$ 500,000
Total Payback to Third Parties		-	\$ 1,280,000	-
Total Payout to Hospital		\$ 720,000	-	\$ 1,280,000
Total Addition to Expense Base		-	-	\$ 280,000

is apply.

# INPATIENT ANCILLARY CORRIDOR

## Assumptions:

Budgeted Inpatient Ancillary Revenue REC \$1,000,000  
100%

	<u>CASE 1</u>	<u>CASE 2</u>	<u>CASE 3</u>
Actual Inpatient Ancillary Revenue	\$ 1,100,000	\$ 900,000	\$ 1,000,000
Budgeted Inpatient Ancillary Revenue X 1.01	\$ 1,000,000 X 1.01	\$ 1,000,000 X 1.01	\$ 1,000,000 X 1.01
Budgeted Revenue X 1.01	\$ 1,010,000	\$ 1,010,000	\$ 1,010,000
Variance of Actual Revenue to (Budget X 1.01)	\$ 90,000	\$ (110,000)	\$ (10,000)
Variance of Actual Revenue to Budgeted	-	\$ 100,000	-
Percent Due To or From Third Parties	65%	65%	-
Amount Due Third Parties	\$ 58,500	-	-
Amount Due From Third Parties	-	\$ 65,000	-
Total Retained by Hospital	\$ 1,041,500	\$ 965,000	\$ 1,000,000
Total Addition to Expense Base(1)	\$ 31,500	-	-

(1) The Addition to Expense Base is calculated as follows:  
When the Variance is positive, multiply the variance of Actual Revenue to (Budget X 1.01) times 35%. If the variance is negative or zero, no addition to expense base.

Appropriate RCC's would be applied in all cases.

OUTPATIENT ANCILLARY CORRIDOR

	<u>Case 1</u>	<u>Case 2</u>	<u>Case 3</u>
Actual Outpatient Ancillary Revenue	\$600,000	\$400,000	\$500,000
Budgeted Outpatient Ancillary Revenue	\$500,000	\$500,000	\$500,000
Variance of Actual Revenue to Budgeted	\$100,000	\$(100,000)	-
Percent of Variance Retained by Hospital and Added to its Expense Base	60%	-	-
Amount of Variance Retained by Hospital and Added to its Expense Base (60% X \$100,000)	\$ 60,000	-	-
Percent of Variance Due Back to Third Parties	40%	-	-
Amount of Variance Due Back to Third Parties (\$100,000 X 40%)	\$ 40,000	-	-
Total Retention by Hospital	\$560,000	\$400,000	\$500,000

Note: In Cases 2 and 3 there are no additional dollars added to the Expense and no additional dollars due to Third Parties since Actual Outpatient Ancillary Revenue is not greater than Budgeted Outpatient Ancillary Revenue.

Appropriate RCC's would be applied in all cases.  
These examples assume a 100% RCC.

EXAMPLE OF DETERMINATION OF BASE

Negotiated Budgeted Expenses	\$40,000,000
Adjustment Due to Routine	20,000
Adjustment Due to Inpatient Ancillary	-
Adjustment Due to Outpatient Ancillary	<u>60,000</u>
	\$40,080,000

Case A:

Actual Expenses	\$41,000,000
Expense Base	40,080,000

Case B:

Actual Expenses	\$40,000,000
Expense Base	40,000,000

Case C:

Actual Expenses	\$39,900,000
Expense Base	39,900,000

EXAMPLE OF THIRD PARTIES' METHODTO CALCULATE THE PAYBACK OR (PAYOUT) OF THE ROUTINE CORRIDOR

	Actual Days <u>1975</u>	% Relationship of Actual Days <u>1975</u>	Amount Due 3rd Parties
<u>Hospital A</u>			
Blue Cross	82,719	36.59	\$ 358,570
Medicare	92,589	40.95	401,296
Other	<u>50,759</u>	22.45	<u>220,021</u>
Total	<u>226,067</u>		<u>\$ 979,855</u>
 <u>Hospital B</u>			
Blue Cross	8,591	22.12	\$ (37,827)
Medicare	16,395	42.19	(72,148)
Other	<u>13,871</u>	35.69	<u>(61,032)</u>
Total	<u>38,857</u>		<u>\$ (171,007)</u>



